

Board Findings of the Deer Park Independent School District

FINDINGS OF THE DEER PARK INDEPENDENT
SCHOOL DISTRICT BOARD OF TRUSTEES UNDER THE
TEXAS ECONOMIC DEVELOPMENT ACT
ON THE APPLICATION SUBMITTED BY
EQUISTAR CHEMICALS, LP

STATE OF TEXAS

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COUNTY OF HARRIS

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On the 21st day of April, 2014, a public meeting of the Board of Trustees of the Deer Park Independent School District was held. The meeting was duly posted in accordance with the provisions of the Texas Open Meetings Act, Chapter 551, Texas Government Code. At the meeting, the Board of Trustees took up and considered the application of the Equistar Chemicals, LP (Equistar) for an Appraised Value Limitation on Qualified Property, pursuant to Chapter 313 of the Texas Tax Code. The Board of Trustees solicited input into its deliberations on the Application from interested parties within the District. After hearing presentations from the District's administrative staff, and from consultants retained by the District to advise the Board in this matter, the Board of Trustees of the Deer Park Independent School District makes the following findings with respect to the application of Equistar, and the economic impact of that application:

On December 5, 2013, the Texas Comptroller of Public Accounts received an Application from Equistar for an Appraised Value Limitation on Qualified Property, pursuant to Chapter 313 of the Texas Tax Code. A copy of the Application is attached as **Attachment A**.

The Applicant, Equistar (Texas Taxpayer Id. 17605504814), is an entity subject to Chapter 171, Texas Tax Code, and is certified to be in good standing with the Texas Comptroller of Public Accounts. See **Attachment B**.

The Board of Trustees has acknowledged receipt of the Application, along with the requisite application fee, as established pursuant to Texas Tax Code § 313.025(a)(1) and Local District Policy.

Board Findings of the Deer Park Independent School District

The Application was delivered to the Texas Comptroller's Office for review pursuant to Texas Tax Code § 313.025(d). A copy of the Application was delivered to the Harris County Appraisal District for review pursuant to 34 Tex. Admin. Code § 9.1054.

The Application was reviewed by the Texas Comptroller's Office pursuant to Texas Tax Code § 313.026, and a favorable recommendation was issued on March 3, 2014. A copy of the Comptroller's letter is attached to the findings as **Attachment C**.

After receipt of the Application, the Texas Comptroller of Public Accounts caused to be conducted an economic impact evaluation pursuant to Texas Tax Code § 313.026 and the Board of Trustees has carefully considered such evaluation. A copy of the economic impact evaluation is attached to these findings as **Attachment D**.

The Board of Trustees also directed that a specific financial analysis be conducted of the impact of the proposed value limitation on the finances of the Deer Park Independent School District. A copy of a report prepared by Moak, Casey & Associates, Inc. is attached to these findings as **Attachment E**.

The Board of Trustees has confirmed that the taxable value of property in the Deer Park Independent School District for the preceding tax year, as determined under Subchapter M, Chapter 403, Government Code, is as stated in **Attachment F**.

After receipt of the Application, the District entered into negotiations with Equistar, over the specific language to be included in the Agreement for an Appraised Value Limitation on Qualified Property, pursuant to Chapter 313 of the Texas Tax Code, including appropriate revenue protection provisions for the District. The proposed Agreement is attached to these findings as **Attachment G**.

Board Findings of the Deer Park Independent School District

After review of the Comptroller's recommendation, and in consideration of its own economic impact study the Board finds:

Board Finding Number 1.

There is a strong relationship between the Applicant's industry and the types of qualifying jobs to be created by the Applicant and the long-term economic growth plan of this State as described in the strategic plan for economic development (ED Plan) submitted by the Texas Strategic Economic Development Planning Commission under Section 481.033, Texas Government Code.

With regard to Finding No. 1, the Comptroller's economic impact evaluation included the following information:

The Texas Economic Development Plan focuses on attracting and developing industries using technology. It also identifies opportunities for existing Texas industries. The plan centers on promoting economic prosperity throughout Texas and the skilled workers that the Equistar Chemicals, LP project requires appear to be in line with the focus and themes of the plan. Texas identified manufacturing as one of six target clusters in the Texas Cluster Initiative. The plan stresses the importance of technology in all sectors of the manufacturing industry.

Board Finding Number 2.

The economic condition of Deer Park, Texas is in need of long-term improvement, based on an analysis of Harris County data by the State Comptroller's Office.

Based on information provided by the Comptroller's Office, Harris County is the largest in the state in terms of population. Population growth in Harris County is positive and was the state's 46th fastest growing county from 2009 to 2010. The state population grew by 1.8 percent between 2009 and 2010, and the population of Harris County increased by the same 1.8 percent over the same period.

September 2011 employment for Harris County was up 1.8 percent from September 2010, above the state's 0.9 percent increase in total employment during the same period. The unemployment rate in Harris County was 8.6 percent in September 2011, higher than the state

Board Findings of the Deer Park Independent School District

average of 8.5 percent. It is noteworthy that the Harris County unemployment rate increased from 8.3 percent in the prior year to the 8.5 percent level in September 2011.

Harris County continues to have a higher per capita personal income than the state as a whole. In terms of per capita income, Harris County County's \$48,337 in 2009 ranked 7th among the 254 counties in Texas, while the Texas average was \$38,609 for the same period.

While some of these indicators are positive, the local economy in Deer Park will benefit from economic activity like that associated with the Equistar project. Major capital investments like this project are beneficial to the community on a number of fronts, including direct and indirect employment, expanded opportunities for existing businesses and increased local tax bases.

Board Finding Number 3.

The average salary level of qualifying jobs is expected to be at least \$65,000 per year. The review of the application by the State Comptroller's Office indicated that this amount—based on Texas Workforce Commission data—complies with the requirement that qualifying jobs must pay 110 percent of the regional average manufacturing wage. Equistar indicates that total employment will be approximately twenty-five (25) new jobs, twenty (20) of which will be qualifying jobs.

In support of Finding 3, the economic impact evaluation states:

After construction, the project will create 25 new jobs when fully operational. Twenty jobs will meet the criteria for qualifying jobs as specified in Tax Code Section 313.021(3). According to the Texas Workforce Commission (TWC), the regional manufacturing wage for the Houston-Galveston Area Council of Governments Region, where Harris County is located was \$55,317 in 2012. The annual average manufacturing wage for 2012 through 2013 for Harris County is \$80,899. That same year, the county annual average wage for all industries was \$65,104. In addition to an annual average salary of \$65,000 each qualifying position will receive benefits such as the company pays 80% of employee health insurance premiums, dental plan, group life insurance, paid holidays, paid vacation and 401(k) retirement savings plan.

Board Finding Number 4.

The level of the applicant's average investment per qualifying job over the term of the Agreement is estimated to be approximately \$14.49 million on the basis of the goal of twenty (20) new qualifying positions for the entire Equistar project.

In support of Finding 4, the economic impact evaluation states:

The project's total investment is \$289.8 million, resulting in a relative level of investment per qualifying job of \$14.49 million.

Board Finding Number 5.

Subsequent economic effects on the local and regional tax bases will be significant. In addition, the impact of the added infrastructure will be significant to the region.

Table 1 depicts Equistar Chemicals, LP's estimated economic impact to Texas. It depicts the direct, indirect and induced effects to employment and personal income within the state. The Comptroller's office calculated the economic impact based on 16 years of annual investment and employment levels using software from Regional Economic Models, Inc. (REMI). The impact includes the construction period and the operating period of the project.

Table 1: Estimated Statewide Economic Impact of Investment and Employment in Equistar Chemicals, LP

Year	Employment			Personal Income		
	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total
2014	0	0	0	\$0	\$0	\$0
2015	160	175	335	\$9,760,000	\$11,240,000	\$21,000,000
2016	201	232	433	\$12,281,000	\$17,719,000	\$30,000,000
2017	75	113	188	\$4,615,000	\$11,385,000	\$16,000,000
2018	25	82	107	\$1,625,000	\$8,375,000	\$10,000,000
2019	25	86	111	\$1,625,000	\$8,375,000	\$10,000,000
2020	25	86	111	\$1,625,000	\$9,375,000	\$11,000,000
2021	25	88	113	\$1,625,000	\$9,375,000	\$11,000,000
2022	25	88	113	\$1,625,000	\$9,375,000	\$11,000,000
2023	25	96	121	\$1,625,000	\$10,375,000	\$12,000,000
2024	25	96	121	\$1,625,000	\$10,375,000	\$12,000,000
2025	25	94	119	\$1,625,000	\$10,375,000	\$12,000,000
2026	25	90	115	\$1,625,000	\$10,375,000	\$12,000,000
2027	25	92	117	\$1,625,000	\$11,375,000	\$13,000,000
2028	25	88	113	\$1,625,000	\$11,375,000	\$13,000,000
2029	25	90	115	\$1,625,000	\$12,375,000	\$14,000,000

Source: CPA, REMI, Equistar Chemicals, LP

The statewide average ad valorem tax base for school districts in Texas was \$1.7 billion in 2012 to 2013. Deer Park ISD's ad valorem tax base in 2012 to 2013 was \$7.1 billion. The statewide average wealth per WADA was estimated at \$343,155 for fiscal 2012 to 2013. During that same year, Deer Park ISD's estimated wealth per WADA was \$461,284. The impact on the facilities and finances of the district are presented in Attachment 2.

Table 2 examines the estimated direct impact on ad valorem taxes to the school district, Harris County, and the Harris County Hospital District with all property tax incentives sought being granted using estimated market value from Equistar Chemicals, LP's application. Equistar Chemicals, LP has only applied for a value limitation under Chapter 313, Tax Code. Table 3 illustrates the estimated tax impact of the Equistar Chemicals, LP project on the region if all taxes are assessed.

Board Findings of the Deer Park Independent School District

Table 2 Estimated Direct Ad Valorem Taxes with all property tax incentives sought

Year	Estimated Taxable Value for I&S	Estimated Taxable Value for M&O	Tax Rate ¹	Deer Park ISD I&S Levy	Deer Park ISD M&O Levy	Deer Park ISD M&O and I&S Tax Levies (Before Credit Credited)	Deer Park ISD M&O and I&S Tax Levies (After Credit Credited)	Harris County Tax Levy	Harris County Hospital District Tax Levy	Harris County Flood Control District Tax Levy	Port of Houston Authority Tax Levy	Harris County Education Department Tax Levy	San Jacinto College District Tax Levy	Estimated Total Property Taxes
2014		\$0		0.2900	1.2367			0.4002	0.1822	0.0281	0.0195	0.0066	0.1856	
2015		\$0				\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2016	\$70,730,000	\$70,730,000		\$205,117	\$874,718	\$1,079,835	\$1,079,835	\$283,069	\$128,842	\$19,868	\$13,806	\$4,680	\$131,276	\$1,491,745
2017	\$140,161,000	\$80,000,000		\$406,467	\$989,360	\$1,395,827	\$1,395,827	\$560,938	\$255,317	\$39,371	\$27,359	\$9,274	\$260,142	\$2,212,083
2018	\$324,447,000	\$80,000,000		\$940,896	\$989,360	\$1,930,256	\$1,930,256	\$1,298,469	\$591,013	\$91,137	\$63,332	\$21,469	\$602,180	\$3,819,738
2019	\$310,233,000	\$80,000,000		\$899,676	\$989,360	\$1,889,036	\$1,889,036	\$1,241,583	\$565,120	\$87,144	\$60,557	\$20,528	\$575,799	\$3,695,740
2020	\$300,971,000	\$80,000,000		\$872,816	\$989,360	\$1,862,176	\$1,862,176	\$1,204,516	\$548,249	\$84,543	\$58,750	\$19,915	\$558,608	\$3,614,941
2021	\$291,986,000	\$80,000,000		\$846,759	\$989,360	\$1,836,119	\$1,836,119	\$1,168,557	\$531,882	\$82,019	\$56,996	\$19,321	\$541,932	\$3,536,558
2022	\$283,271,000	\$80,000,000		\$821,486	\$989,360	\$1,810,846	\$1,810,846	\$1,133,679	\$516,006	\$79,571	\$55,294	\$18,744	\$525,757	\$3,460,531
2023	\$274,817,000	\$80,000,000		\$796,969	\$989,360	\$1,786,329	\$1,786,329	\$1,099,845	\$500,607	\$77,196	\$53,644	\$18,185	\$510,066	\$3,386,781
2024	\$266,614,000	\$80,000,000		\$773,181	\$989,360	\$1,762,541	\$1,762,541	\$1,067,016	\$485,664	\$74,892	\$52,043	\$17,642	\$494,841	\$3,315,221
2025	\$258,657,000	\$258,657,000		\$750,105	\$3,198,811	\$3,948,916	\$3,948,916	\$1,035,171	\$471,170	\$72,657	\$50,490	\$17,115	\$480,073	\$5,455,257
2026	\$250,938,000	\$250,938,000		\$727,720	\$3,103,350	\$3,831,070	\$3,831,070	\$1,004,279	\$457,109	\$70,488	\$48,983	\$16,605	\$465,746	\$5,292,458
2027	\$243,450,000	\$243,450,000		\$706,005	\$3,010,746	\$3,716,751	\$3,716,751	\$974,311	\$443,469	\$68,385	\$47,521	\$16,109	\$451,848	\$5,134,531
2028	\$236,186,000	\$236,186,000		\$684,939	\$2,920,912	\$3,605,852	\$3,605,852	\$945,240	\$430,236	\$66,345	\$46,104	\$15,628	\$438,366	\$4,981,328
2029	\$229,139,000	\$229,139,000		\$664,503	\$2,833,762	\$3,498,265	\$3,498,265	\$917,037	\$417,400	\$64,365	\$44,728	\$15,162	\$425,287	\$4,832,702
						Total	\$33,953,820	\$13,933,711	\$6,342,083	\$977,981	\$679,608	\$230,377	\$6,461,919	\$54,229,614

Source: CPA, Equistar Chemicals, LP

¹Tax Rate per \$100 Valuation

Table 3 Estimated Direct Ad Valorem Taxes without property tax incentives

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Year	Estimated Taxable Value for I&S	Estimated Taxable Value for M&O		Deer Park ISD I&S Levy	Deer Park ISD M&O Levy	Deer Park ISD M&O and I&S Tax Levies	Harris County Tax Levy	County Hospital District Tax Levy	County Flood Control District Tax Levy	Port of Houston Authority Tax Levy	County Education Department Tax Levy	San Jacinto College District Tax Levy	Estimated Total Property Taxes	
			Tax Rate ¹	0.2900	1.2367		0.4002	0.1822	0.0281	0.0195	0.0066	0.1856		
2014	\$0			\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
2015	\$0			\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
2016	\$70,730,000	\$70,730,000		\$205,117	\$874,718	\$1,079,835	\$283,069	\$128,842	\$19,868	\$13,806	\$4,680	\$131,276	\$1,491,745	
2017	\$140,161,000	\$140,161,000		\$406,467	\$1,733,371	\$2,139,838	\$560,938	\$255,317	\$39,371	\$27,359	\$9,274	\$260,142	\$2,956,094	
2018	\$324,447,000	\$324,447,000		\$940,896	\$4,012,436	\$4,953,332	\$1,298,469	\$591,013	\$91,137	\$63,332	\$21,469	\$602,180	\$6,842,814	
2019	\$310,233,000	\$310,233,000		\$899,676	\$3,836,652	\$4,736,327	\$1,241,583	\$565,120	\$87,144	\$60,557	\$20,528	\$575,799	\$6,543,031	
2020	\$300,971,000	\$300,971,000		\$872,816	\$3,722,108	\$4,594,924	\$1,204,516	\$548,249	\$84,543	\$58,750	\$19,915	\$558,608	\$6,347,689	
2021	\$291,986,000	\$291,986,000		\$846,759	\$3,610,991	\$4,457,750	\$1,168,557	\$531,882	\$82,019	\$56,996	\$19,321	\$541,932	\$6,158,189	
2022	\$283,271,000	\$283,271,000		\$821,486	\$3,503,212	\$4,324,698	\$1,133,679	\$516,006	\$79,571	\$55,294	\$18,744	\$525,757	\$5,974,384	
2023	\$274,817,000	\$274,817,000		\$796,969	\$3,398,662	\$4,195,631	\$1,099,845	\$500,607	\$77,196	\$53,644	\$18,185	\$510,066	\$5,796,083	
2024	\$266,614,000	\$266,614,000		\$773,181	\$3,297,215	\$4,070,396	\$1,067,016	\$485,664	\$74,892	\$52,043	\$17,642	\$494,841	\$5,623,076	
2025	\$258,657,000	\$258,657,000		\$750,105	\$3,198,811	\$3,948,916	\$1,035,171	\$471,170	\$72,657	\$50,490	\$17,115	\$480,073	\$5,455,257	
2026	\$250,938,000	\$250,938,000		\$727,720	\$3,103,350	\$3,831,070	\$1,004,279	\$457,109	\$70,488	\$48,983	\$16,605	\$465,746	\$5,292,458	
2027	\$243,450,000	\$243,450,000		\$706,005	\$3,010,746	\$3,716,751	\$974,311	\$443,469	\$68,385	\$47,521	\$16,109	\$451,848	\$5,134,531	
2028	\$236,186,000	\$236,186,000		\$684,939	\$2,920,912	\$3,605,852	\$945,240	\$430,236	\$66,345	\$46,104	\$15,628	\$438,366	\$4,981,328	
2029	\$229,139,000	\$229,139,000		\$664,503	\$2,833,762	\$3,498,265	\$917,037	\$417,400	\$64,365	\$44,728	\$15,162	\$425,287	\$4,832,702	
						Total	\$53,153,587	\$13,933,711	\$6,342,083	\$977,981	\$679,608	\$230,377	\$6,461,919	\$73,429,381

Source: CPA, Equistar Chemicals, LP

¹Tax Rate per \$100 Valuation

Board Finding Number 6.

The revenue gains that will be realized by the school district if the Application is approved will be significant in the long-term, with special reference to revenues used for supporting school district debt.

In support of this finding, the analysis prepared by Moak, Casey & Associates projects that the project would initially add \$324.4 million to the tax base for debt service purposes at the peak investment level for the 2018-19 school year. The Equistar project remains fully taxable for debt services taxes, with Deer Park ISD currently levying a \$0.29 per \$100 I&S rate. The value of the Equistar project is expected to depreciate over the life of the agreement and beyond, but full access to the additional value will add to the District's tax base and help the District to lower its I&S tax rate.

Board Finding Number 7.

The effect of the applicant's proposal, if approved, on the number or size of needed school district instructional facilities is not expected to increase the District's facility needs, with current trends suggest little underlying enrollment growth based on the impact of the Equistar project.

The summary of financial impact prepared by Moak, Casey & Associates, Inc., indicates that there will be little to no impact on school facilities created by the new manufacturing project. This finding is confirmed by the TEA evaluation of this project's impact on the number and size of school facilities in Deer Park ISD as stated in **Attachment D**.

Board Finding Number 8.

The ability of the applicant to locate the proposed facility in another state or another region of this state is substantial, as a result of the highly competitive marketplace for economic development.

In support of Finding 8, the economic impact evaluation states:

According to Equistar Chemicals, LP's application, "Equistar Chemicals, LP is wholly owned by LyondellBasell Industries, which is a global manufacturer of petrochemicals. Equistar Chemicals, LP has other plants that produce polymer products in Lake Charles, Louisiana, Pasadena, Texas, Bay City, Texas, Victoria, Texas, Morris, Illinois, and Clinton, Iowa." The

Board Findings of the Deer Park Independent School District

application also states “LyondellBasell has the ability to invest in new or existing facilities in many countries around the world as well as numerous existing facilities in the United States.”

Board Finding Number 9.

During the past two years, 43 projects in the Houston-Galveston Area Council of Governments Region applied for value limitation agreements under Tax Code, Chapter 313.

Board Finding Number 10.

The Board of Trustees hired consultants to review and verify the information in the Application from Equistar. Based upon the consultants’ review, the Board has determined that the information provided by the Applicant is true and correct.

Board Finding Number 11.

The Board of Trustees has determined that the Tax Limitation Amount requested by Applicant is currently Eighty Million Dollars, which is consistent with the minimum values currently set out by Tax Code, §313.054(a).

According to the Texas Comptroller of Public Accounts’ School and Appraisal Districts’ Property Value Study 2011 Final Findings made under Subchapter M, Chapter 403, Government Code for the preceding tax year, Attachment F, the total 2013 taxable property value for Deer Park ISD is \$7.29 billion. Deer Park ISD is categorized as a non-rural district subject to Subchapter B. Limitation amounts for school districts subject to Subchapter B are based on the total amount of taxable property in the school district. Given that the total taxable value of property in Deer Park ISD is more than \$1 billion but less than \$10 billion, it is classified as a Category II district which can offer a minimum value limitation of \$80 million.

Board Finding Number 12.

The Applicant (Taxpayer Id. 17605504814) is eligible for the limitation on appraised value of qualified property as specified in the Agreement based on its “good standing” certification as a franchise-tax paying entity.

Board Finding Number 13.

The Agreement for an Appraised Value Limitation on Qualified Property, pursuant to Chapter 313 of the Texas Tax Code, attached hereto as Attachment G, includes adequate and appropriate revenue protection provisions for the District.

In support of this finding, the report of Moak, Casey & Associates, Inc. shows that the District will incur a revenue loss in the first, second, and fourth years that the value limitation is in effect without the proposed Agreement. However, with this Agreement, the negative consequences of granting the value limitation are offset through the revenue protection provisions agreed to by the Applicant and the District. Revenue protection measures are in place for the duration of the Agreement.

Board Finding Number 14.

Considering the purpose and effect of the law and the terms of the Agreement, that it is in the best interest of the District and the State to enter into the attached Agreement for Limitation on Appraised Value of Property for School District Maintenance and Operations Taxes.

It is therefore ORDERED that the Agreement attached hereto as **Attachment G** is approved and hereby authorized to be executed and delivered by and on behalf of the Deer Park Independent School District. It is further ORDERED that these findings and the Attachments referred to herein be attached to the Official Minutes of this meeting, and maintained in the permanent records of the Board of Trustees of the Deer Park Independent School District.

Board Findings of the Deer Park Independent School District

Dated the 21st day of April 2014.

DEER PARK INDEPENDENT SCHOOL DISTRICT

By: 
Lynn Kirkpatrick, President, Board of Trustees

ATTEST:

By: 
Rhonda Lowe, Secretary, Board of Trustees